

Age Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

PUBLISHED EVERY OTHER FRIDAY

O-I promotes "Thirst for Adventure"

By Paul Mullins
Editor

TOLEDO, OH — Owens-Illinois, located here, has come up with another summer contest to help promote the sale of single-service Plasti-Shield bottles. In addition to hundreds of smaller prizes which can be won, the grand prize is a choice of a "white water" raft expedition, a cruise, or a trip to a dude ranch or luxury lodge.

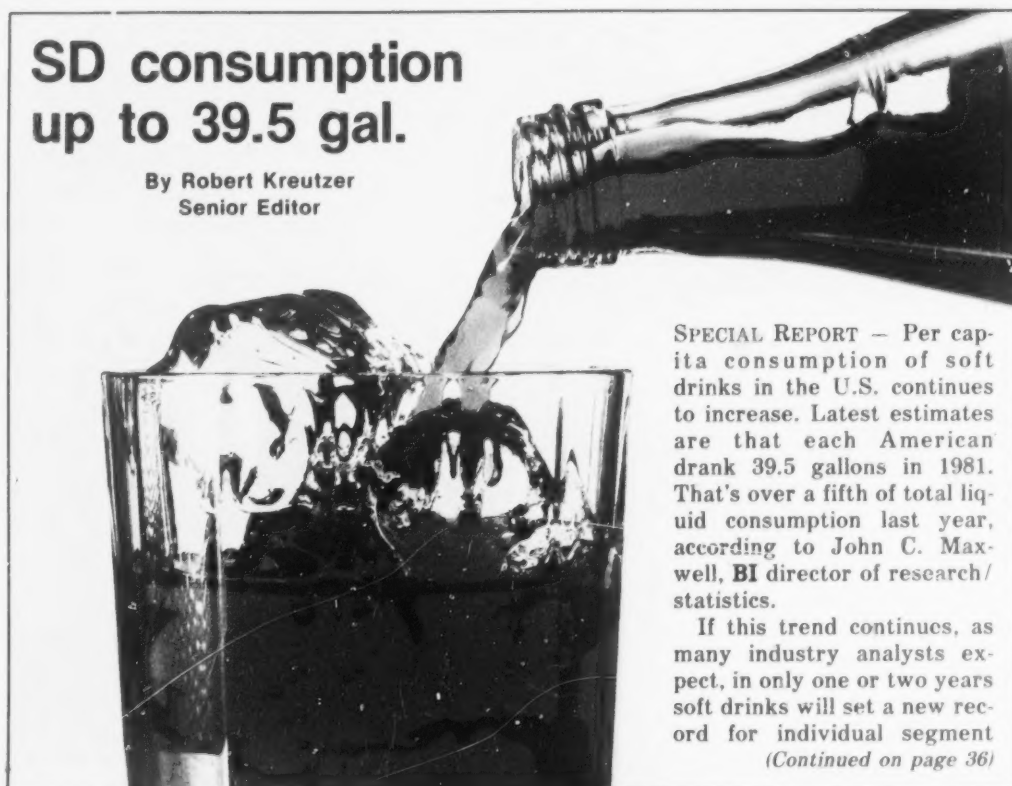
"Thirst for adventure" is the contest's theme, capitalizing on the popularity of adventure movies such as "Raiders of the Lost Ark," etc. Participants — 10 employees at each plant — will be given tee-shirts with a "TFA" logo (see Plasti-Shield bottle, below) and explorer hats as they embark on the two stage contest.

Part one of the contest is basically a "best display or promotion" competition. Deadline for this adventure is July 20 and winners will be announced August 2.

Part two of the competition ends October 20. This phase in-

SD consumption up to 39.5 gal.

By Robert Kreutzer
Senior Editor



SPECIAL REPORT — Per capita consumption of soft drinks in the U.S. continues to increase. Latest estimates are that each American drank 39.5 gallons in 1981. That's over a fifth of total liquid consumption last year, according to John C. Maxwell, BI director of research/statistics.

If this trend continues, as many industry analysts expect, in only one or two years soft drinks will set a new record for individual segment

(Continued on page 36)

Pabst, Schlitz in acquisition struggle

By John Norton
Midwest Editor

SPECIAL REPORT — In the wake of recent acquisitional activity concerning Pabst and Schlitz, many brewers are beginning to realize that survival may mean how well they can play the merger game in an industry that has established itself as an oligarchy.

Operating in the shadow of Anheuser-Busch and Miller Brewing, many brewers have been faced with strong competitive pressures that compounded with an erratic economy, a smaller company cannot endure. Battling A-B and Miller, who together control 52% of the U.S. market, smaller operations justifiably fear standing alone armed with only an 8% market share or less, each. Brewers who seek a long-term existence in the

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volves overall promotion — including displays, vending, merchandising, etc. — of the Plasti-Shield package.

"Thirst for adventure" will be conducted basically in the

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BI Week

• Coke reportedly will offer a major promotion this summer tying in with Atari. Details could not be obtained at presstime; expect announcement in mid-May.

• South Atlantic Canners may be next co-op (Coke bottlers in the Carolinas) to self-manufacture PET containers. Members reportedly have approved fund expenditure to erect a new building. Industry sources say that the group plans to manufacture one-piece containers under a licensing agreement with Continental Can.

• Meanwhile, sources also report that Continental may be considering shelving its own one-piece licensing program. High price of resin is one reason cited; the other is that lightweighting is more practical with the two piece bottle.

• Sapporo Brewery, which last year became the first brewery in the world to introduce beer in PET has expanded the package: a 340 ml, keg-shaped bottle with a pedaloid bottom and easy-open, wide mouth finish. Resin is supplied by Toray Co., and bottles are supplied by Yoshino

(Continued on page 55)

Gallo still number one; wine shipments up 7%

NEW YORK, NY — E.&J. Gallo remained the number one winery in the U.S. last year by a wide margin. Impact Databank statistics show Gallo shipped 131.4 million gallons in 1981, 7.5% above 1980.

Total U.S. wine shipments in 1981 are estimated at 509.1 million gallons. The 10 largest domestic wineries accounted for 333.7 million gallons. Total shipments rose 7.0% in 1981 over '80. Shipments from the top 10 were up 4.0%.

Ranked number four, The Wine Spectrum (Coca-Cola) posted the largest year-to-year shipments increase of the top 10. It sold 27.4 million gallons, up 24.0% from 1980. Most of that growth, according to Impact, came from shipments of the Taylor California Cellars line. These brands sold 6.9 million cases of 2.4 gallons each in 1981, almost twice the 1980 level.

Heublein's United Vintners, ranked number two, sold 50.3 million gallons last year, off 4.0% from the previous year. Almaden (Na-

tional Distillers) also was off last year, for the first time in its history. Almaden, number

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US wine exports up 36.3% in '81

SAN FRANCISCO, CA — Exports of wine produced in the U.S., over 90% of which comes from California, jumped to a record 10.7 million gallons in 1981, a gain of 36.3% over 1980, according to the Wine Institute.

Several countries reached significant milestones in 1981. Canada, for many years the largest export market for American wine, maintained that position by importing more than 5.5 million gallons in 1981, an increase of 20.3% over the previous year. England posted a 108.5% gain, to 1.1 million gallons; its third consecutive year of triple-digit percentage increase.

Colombia, ranked 20th in

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Plasti-Shield bottle featuring the "Thirst for adventure" theme, of O-I's latest contest pushing Plasti-Shield sales.

Contents

Pabst, Schlitz merger struggle

The Pabst, Schlitz acquisition struggle has made it apparent that survival for the smaller beer co.'s may depend on how well they can fit into the merger picture. With A-B and Miller controlling 52% of the U.S. market, industry observers feel merger may be the only way for smaller breweries to handle the growing competitive pressure from the two industry giants. BI gives more insight on this problem on **page 1**.

SD consumption per capita rises

Soft Drinks' per capita consumption is still rising in the U.S. market. Figures for 1981 show soft drinks as the most consumed beverage, at 39.5 gallons per capita. Soft drinks accounted for one fifth of liquid consumption last year, and many industry observers feel the figure will increase over the next few years. The likelihood is strong that soft drinks will set a new record for individual segment per capita consumption. For a detailed report and complete statistical review, see **page 1**.

Glass, metal containers up

The glass and metal container industries are expected to show better performance this year, despite the

threat of plastic containers. Arthur M. Stupay, industry analyst for Prescott, Ball and Turben, forecasts that glass will stay strong due to the

Plasti-Shield bottle, while cans should rise slightly with the beer market. For details, see **page 4**.

Pittsburgh Brewing turns losses into \$

The Pittsburgh Brewing Co.

has been profitable for the last three-and-a-quarter fiscal years following eight straight years of losses, and is involved in a merger with Pabst. What kind of company is Pabst getting? To find out how Pittsburgh turned losses into profits, see **page 10**.

Pabst installs keg handling system

The Pabst Brewing Co. has installed a keg handling system at its Milwaukee facility designed to increase production, while reducing manpower requirements. For details, see **page 28**.

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Beverage Industry

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Price changes: glass versus cans

Producers Price Index, 1967=100

	Glass Containers		Metal Cans	
	Index	% Change	Index	% Change
1970	120.9			
1971	131.6	+ 8.9	122.0	- 3.7
1972	135.1	+ 2.7	129.3	+ 6.0
1973	138.9	+ 2.8	136.0	+ 5.2
1974	155.5	+12.0	164.7	+21.1
1975	179.7	+15.6	194.6	+18.2
1976	200.0	+11.1 ^a	205.0	+ 5.3
1977	214.2	+ 7.0	219.6	+ 7.0
1978	244.4	+14.1	245.4	+11.7
1979	261.2	+ 6.9 ^c	271.4	+10.6
1980	292.7	+12.1 ^a	302.4	+11.4 ^c
1981P	328.5	+12.2	318.1	+ 5.2 ^c
1981/70 Avg. Ann.		+ 9.5%		+10.1

a. PBT estimated the increase at 8.7% due to beer discount.

b. increase 1981/71.

c. Effective increase significantly lower due to discounting.

Copyright: Beverage Industry

May 7, 1982

Glass, metal containers up despite plastic threat

CLEVELAND, OH—This year, the glass and metal container industries should show improved performance, despite the continuing threat of plastics. Arthur M. Stupay, industry analyst here at Prescott, Ball and Turben, forecasts an increase in operating rates as capacity is reduced by several container companies in 1982. This, he says, should permit firmer prices and higher profit margins.

Glass containers should be especially strong in soft drinks as the Plasti-Shield bottle gains in both the 10 and 16 oz. markets. Stupay assumes that the .5-L PET bottle will grow slowly until the problems of limited shelf life, taste distortion and cost are overcome.

Cans volume should rise slightly this year, with beer the strongest end-use market. Another factor that will aid some container companies, according to Stupay, is that continued divestiture and diversification will move resources from low margin businesses to higher ones. This, he says, will certainly be true for American Can, Continental Group and Owens-Illinois.

The possible passage of mandatory deposit legislation in

several states this year would be a major negative factor affecting containers firms, according to Stupay.

For many packaging companies, 1981 was a low point, Stupay says. But, he believes the future will be brighter for those companies with new technology, land resources, plus effective corporate planning to match returns on capital available in other businesses.

In 1981, the overall economy (growth rate of GNP) grew at a slightly faster rate in dollar terms than did the packaging industry. While total volume of packaging rose by an estimated 1%, price increases for several categories lagged behind the economy rate, according to Stupay's figures.

Rigid containers (metal and glass) accounted, again, for close to a third of packaging sales last year. Metal can sales totaled an estimated \$10 billion, or about 5% above 1980, with volume flat. As a result, says Stupay, cans' share declined significantly in total packaging. Glass containers' dollar share in 1981 rose by an estimated 6% to 7%; volume was down 2.4%. So, glass containers' share of packaging last year also dropped.

This year, Stupay expects packaging output to rise at about the same rate as current dollar GNP, or by 6% to 7%. Glass container sales, he says, should go up by 11% due to better pricing. Glass should experience a small increase in share of packaging, after declines in 1980 and '81.

Can sales should rise by 7% to 8%, with merchant sales up at a slower rate. Cans should also account for a greater share of packaging in 1982; cans were weak in 1980 and '81.

Unit shipments of glass containers fell by about 2.4% in 1981, compared to '80; tonnage was off 1%. Two sources of strength, Stupay says, were food containers and one-way soft drink bottles. Capacity was trimmed back as major producers closed older, uneconomical operations.

The big volume gainer for glass last year was NR soft drink bottles, which, along with returnables and one-way bottles, accounted for 2.5 million gross. This was due mainly to increased market share for Plasti-Shield. NR beer bottle shipments declined 8% in 1981, compared to '80 after steady increases. This was partly due to Anheuser-Busch, a major user of cans, increasing market share at the expense of Miller, Stupay says.

Between 1979 and '80, the

(Continued on page 13)

Arabian company wins Donald M. Kendall Award



Sheikh Mohamed Abdul Aziz Aljomaih (center), and Abdul Karim Aljasser accept trophy from Donald M. Kendall

NEW YORK, NY — PepsiCo International announced that a Saudi Arabian company was voted the top overseas soft drink bottler for 1981. Abdulaziz and Mohammed A. Aljomaih Bottling Plants in Riyadh won this year's Donald M. Kendall International Bottler of the Year Award against competition from over 500 contenders.

In presenting the trophy, Kendall said of owner-president, Sheikh Mohamed Abdulla Aljomaih: "In honoring our number one bottler, we are holding up a model for ourselves. His achievements, as great as they have been, are a goal to which every PepsiCo bottler in the room and around the world can,

and should aspire."

The Riyadh bottler "led his region in both absolute volume increases and percentage increases," Kendall continued: "In an industry growing 33%, he grew a phenomenal 82%. Last year, he sold over 24 million cases of our products . . . more than 4 million more cases of Pepsi than the year before."

The award for runner-up went to Nabil Mahmoud Radwan, managing director of Misroob Co. for Soft Drinks and Food Preservation in Egypt.

The trophy for second runner-up was awarded to Pepsi-Cola Bottling Co. of the Philippines, Inc., Cosme M. de Aboitiz, president.



'Portaboard' debuted in Atlanta

SAN DIEGO, CA — An inflatable, portable billboard is the latest brainchild of Robert Keith & Co., located here. Officially introduced only recently, "Portaboard" has

met with "great acceptance by many industries, especially the beverage industry," says Bing Byington, sales manager.

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Glass container Unit Sales

In million gross

End-Use Market	1977	1978	1979	1980	1981E	1982P
Food	86.5	92.6	93.2	89.3	91	92
Beer*	92.8	106.5	117.7	122.7	113	115
Soft Drinks*	67.4	61.4	55.0	57.0	60	63
Liquor	15.9	16.5	15.8	15.8	16	17
Wine	8.5	8.5	8.5	8.8	9	9
Non-Foods	33.7	31.8	29.6	29.5	27	26
Export	3.1	2.2	2.9	2.2	2	2
Total	307.9	319.5	322.8	326.1	318	324

*Non-returnables and returnables combined

E-Estimated; P-Projected.

NOTE: 1980 and 1981 data have been significantly revised and are still subject to error.

Source: Prescott Ball & Turben

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May 7, 1982

Metal can sales

Billion cans

End-Use Market	1977	1978	1979	1980	1981E	1982P
Food	30.1	30.3	30.0	29	29	30
Beer	27.9	28.9	28.7	29	31	31
Soft Drinks	23.3	25.5	25.7	26	25	25
Non-Foods	5.6	5.1	4.9	5	5	5
Total	86.9	89.8	89.3	89	89+	90+

P-Projected; E-Estimated

Source: Prescott Ball & Turben

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Containers

(Continued from page 4)

glass container industry absorbed the full impact of the inroads of the 2-L PET beverage bottle. Only Owens-Illinois came out ahead by dominating output of the industry's most successful new product, the single-service container with Contour-Pak six-pack holder for 10 and 16 oz. bottles.

Plastics began to increase its share of the 1-L size market. This year, about 1 to 2 million gross of .5-L PET beverage bottles will probably be sold, according to Stupay. Shipments of Owens-Illinois' single service bottles may have reached at least 33 million gross, with further strong gains expected in 1982. The smaller-size plastic bottles probably won't threaten O-I's position in this area until 1983, Stupay believes.

With glass capacity at 17.2 million tons in 1979, companies' operating rates was 75.6%. Last year, with capacity estimated at 16.7 million tons, the projected operating rate was 78%, according to Stupay. This compares with about 80% in 1978 and 85% in 1969-70. It is apparent, says Stupay, that additional older capacity must go in order to bring operating rates up.

For glass, 1982 should be better than 1981, Stupay believes.

First, most companies have reduced operations and costs. Second, energy costs should rise only modestly. Third, productivity should rise by 3% to 5%. Fourth, 1982 is the third year of a three-year labor contract with the Glass Bottle Blowers Association; the contract contains a smaller increase than in the first year. Finally, glass will not be threatened by plastic in the smaller-size beverage bottle market until 1983. Stupay predicts a 2% increase in glass container volume, '82 vs. '81.

metal cans

Metal can sales were flat in volume terms last year, compared to '80, Stupay says. Self-manufacture of cans rose by 6%; merchant sales were off by 2%. Cans for beverage and beer were the dominant end-uses, accounting for 64% of total can shipments last year. Cans for beer rose 4.5%; soft drinks were down slightly.

In soft drinks, the modest result in can sales was due to the economy and to the success of glass in 10 and 16 oz. sizes. Stupay predicts that the success of plastics and glass will continue to moderate can sales for soft drinks in 1982-1983.

Two-piece cans accounted for over 96% of total soft drink can output; shipments were up

by 13% in 1981. Three-piece cans were down by 77%. Aluminum cans rose by 19%, and two-piece steel cans were off 4%. For beer, three-piece cans were less than 1% of shipments. Aluminum dominated, with volume increasing by 12%. Two-piece steel cans' use fell, with A-B and other shifting to aluminum in mandatory deposit states because of high scrap value, according to Stupay.

Last year, the can industry operated at 70% to 75% capacity. It is estimated that there may be as much as 8 to 10 billion units of capacity not finding market in early 1981, out of a total can market of 90 billion units, Stupay says. He predicts that by mid-1982, the industry will, therefore, reduce manufacturing capacity.

This year, Stupay expects sales will rise only modestly, maybe 1%. Soft drinks' use will probably be flat, or slightly down, cans for beer, however, should increase. As capacity is reduced, prices should rise with the cost of the metal; they were up 5% in 1981. The major challenge for can companies this year, Stupay believes, is to find ways to moderate the impact of plastics and glass on the major can markets.

The problem for plastic bottles in 1981 was that PET beverage bottle production ca-



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capacity was ample and possibly burdensome after being extremely tight until mid-1979, Stupay says. Last year, effective capacity was over 3 billion units; production of both 2-L and 1-L sizes may have exceeded 2.4 billion units. Thus, Stupay says, the operating remained at under 80%; where capacity was ample, there was discounting and reduced profits.

In 1981, .5-L PET soft drink bottles showed up in several test markets. Perhaps 100 to 200 million units were produced, Stupay says. He estimated that .5-L bottles cost close to \$100 per 1,000 units. The reported drawbacks with .5-L PET could, Stupay says, be solved with a new line of saran-type coatings (from Dow Chemical), which extend shelf-life and lessen cost by reducing resin volume.

In 1982, Stupay expects .5-L production capacity will be 1 billion bottles annually. New machinery from Van Dorn and Cincinnati Milacron, which can form a reported 7,000 to 8,000 bottles per hour, compared to around 2,000 for 2-L PET, should, Stupay says, reduce labor and capital costs by almost half.

resin prices

Based on cost-price experience, solid-state polyester resin prices should increase between \$0.012 and \$0.015 per pound with every \$1 rise in the price of a barrel of crude oil, according to Stupay. Last year, low capacity utilization rates in the polyester market caused discounting and capacity reduction, he says. Polyester prices are still depressed in early 1982.

Price changes for glass, cans, and plastic have been relative. Glass container prices rose 12% in '81 according to the Producers Price Index, but due to discounting, the net increase is approximately 7 to 8%. Metal can prices increased by just 5%. Some of the can companies pricing was contractually linked to base metal costs, thus passing on such increases. Though second half discounting held back the prices increase, plastic bottle prices were up by almost 9%.

Both glass and can prices, in 1982, are expected to rise by at least 8% to 9% after more capacity reduction. Stupay says, however, that if the economy continues weak and basic chemical and metal prices fall or stay moderate, container price increases will fall also.

Manufacturing costs rose for cans by 7 to 9% amid increased cost pressure from labor, energy and materials. In glass, labor made itself a major part of the cost mix by accounting for 35% of all costs. Energy made up about 11%, assuming considerable conservation. On

the can side, metal costs were a much smaller proportion for cans than for the glass.

These increases, however, were offset in part by sizeable productivity gains for the major producers. Can makers have replaced three-piece and old two-piece machinery, and

glass manufacturers are using larger and faster equipment.

In 1982, Stupay expects the relative cost race will match labor and energy costs for glass against base metal costs for cans. Overall, assuming productivity increases, glass container costs are expected to

rise about 7%, and probably will be matched by price increases. Profits will show, says Stupay, significant recovery from 1980-1981. Can costs are expected to reflect base stock prices and rise 8%. Can companies know that their pricing

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Here's the straight story on citric acid technology:

Pfizer

Dedication to Leadership

Pittsburgh

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attractions in the city, with the slogan "show 'em where you live."

The company continues to shrewdly merchandise the success of local sports teams,

along with the new image of Pittsburgh as a "renaissance" city. The brewery frequently conducts plant tours, entertaining guests with a slide presentation in the "beer hall." Adjacent to the hall is a souvenir store that offers buttons, T-shirts, hats, mugs,

pennants, posters, etc. The I.C. Light song is a popular selection in local jukeboxes. Pittsburgh Brewing makes the most of being a 120-year-old institution, the only brewery left in town.

Pittsburgh has embarked on a \$3.4 million, three-year

modernization of its packaging center. The project should raise production by some 500,000 barrels, according to Foster Walton, vp operations. The center hasn't been renovated since 1971, he said.

The new packaging center

"is geared to high volume beer sales," said Walton. Product will run off the line right into the shipping area. Product can also, if necessary, be stored in the warehouse, which can hold 150,000 to 230,000 cases, depending on the product mix, Walton said.

This year, Pittsburgh will retrofit three buildings (installing electrical and process piping) to house three high-speed packaging lines. Also, in 1982, the company will install the first of the three lines, for returnables.

In 1983, Walton said, the non-returnable line will be put in. And the following year, the can line will be added.

Containers

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can't differ markedly from that of glass, and will pressure suppliers for some price relief, Stupay predicts.

As for PET, resin accounts for 55-60% of bottle costs and is constrained by considerable overcapacity. Since the operating rate for polyester resins is projected at 70-75%, PET bottle prices will rise only modestly in '82, Stupay says.

Another problem for the industry in 1981 was mandatory deposit legislation. Until last year, industry response to the legislation had been effective. Last year, however, Massachusetts passed a single-tier mandatory deposit law, and several states are expected to have referenda on the subject this year. Arizona, California, Colorado and Washington are among these. New York, considered a key state, is also threatening action in its legislature.

Data shows that in Michigan, which implemented its two-tiered system in 1979, the first few months showed a sharp decline in non-returnable container shipments. Also, average retail prices of beer and soft drinks were considerably higher than in surrounding non-deposit states to help cover the increased cost of a return system.

Stupay believes the threat of legislation will be more serious in 1982. Industry, however, has also become more effective in fighting the law. If California and New York pass the legislation, says Stupay, there will be increased support for a national law to clear up the inconsistencies in the state-by-state approach.

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Beverage Business Indicators

Glass container shipments

(thousands of gross)
(not seasonally adjusted)

	Nov. '81	Dec. '81	% change
Bottles	24,041	23,272	(3.2)
Beverage: refillable	375	360	(4.0)
nonrefillable	4,090	3,681	(10.0)
under 10 oz	73	61	(16.4)
10.0 to 15.9 oz	1,214	1,176	(3.1)
16.0 to 16.9 oz	2,312	1,975	(14.6)
(includes .5-L)			
17.0 to 33.9 oz	491	469	(4.5)
(includes 1-L)			
34.0 oz and over	—	—	—
(includes 2-L)			
Beer: refillable	188	132	(29.8)
nonrefillable	7,987	8,065	1.0
under 11 oz	1,312	1,052	(19.8)
11.0 to 15.9 oz	6,249	6,528	4.5
16.0 and over	426	485	13.8
Liquor:	1,230	1,117	(9.2)
Under 125 ml (4.23 oz and under)	89	100	12.4
126 to 275 ml (4.24 to 9.3 oz)	284	268	(5.6)
276 to 500 ml (9.31 to 16.9 oz)	165	148	(10.3)
501 to 800 ml (16.91 to 27.04 oz)	300	234	(22.0)
801 to 1000 ml (27.05 to 33.80 oz)	250	229	(8.4)
1001 ml and over	142	138	(2.8)
Wine:	662	711	7.4
126 to 500 ml (4.24 to 16.9 oz)	100	145	45.0
501 to 800 ml (16.91 to 27.04 oz)	300	300	0.0
801 to 1000 ml (27.05 to 33.8 oz)	225	227	1.0
1001 to 1600 ml (33.81 to 54.08 oz)	—	—	—
Over 1600 ml (over 54.08 oz)	38	39	2.6

Source: U.S. Dept. of Commerce
Bureau of the Census

Closures for beverages

	Dec. '81	Jan. '82	% change
Metal (for spirits, wines)	44,536	59,731	34.1
Plastic (for spirits, wines)	78,619	84,158	7.0
Metal crowns (beer and soft drinks)	17,314	18,474	6.7
Soft drink (convenience types)	1,576	1,487	(5.6)
Soft drink (conventional types)	4,807	6,086	26.6
Beer (convenience types)	7,765	8,724	12.4
Beer (conventional types)	3,166	2,177	(31.2)
All other metal closures other than crowns	4,033	4,772	18.3

Source: U.S. Dept. of Commerce
Bureau of the Census

Imported beverages

(Proof gals)

	Jan. '82	Feb. '82	% change
Beer*	12,111,128	11,457,293	(5.4)
Whiskey	4,913,785	4,650,081	(5.4)
Brandy	461,742	334,326	(27.6)
Gin	291,493	264,884	(9.1)
Rum	34,651	37,037	6.9
Cordials and liqueurs	630,671	500,128	(20.7)
Others	678,862	536,073	(21.0)
Total	19,122,335	17,779,822	(7.0)
Sparkling wines	534,751	332,495	(37.8)
Still wines, table	9,159,316	6,006,026	(34.4)
Still wines, fortified	159,218	93,605	(41.2)
Vermouth	215,138	113,075	(47.4)

*Includes ale, stout, porter

Source: National Association of Beverage Importers, Inc.

Selected Consumer Price Index

(The year 1967 equals 100)

	Nov. '81	Dec. '81	% change
Cola	296.1	295.7	(1.1)
Other carbonated soft drinks	139.3	137.2	(1.5)
Noncarbonated drinks	136.4	137.1	0.6
Wine	203.6	203.5	0.0
Beer and ale	237.4	238.0	0.2

Sweetener data

(Cents per pound, dry basis)

	Nov. '81	Dec. '81	% change
HFCS wholesale prices			
California	20.21	20.21	0
New York	19.72	19.72	0
Chicago-West	19.72	19.72	0
Beet sugar wholesale prices	25.41	26.39	3.9
Dextrose wholesale prices			
California	28.64	28.64	0
New York	27.17	27.17	0
Chicago-West	27.17	27.17	0

Source: U.S. Dept. of Agriculture

Domestic beer removals

(Barrels of 31 gals)

	Nov. '81	Dec. '81	% change
Bottles and cans	10,763,745	11,259,178	4.6
Barrels and kegs	1,623,312	1,648,054	1.5
For export	198,420	199,926	0.8
Other	11,833	12,907	9.1
Total	12,597,310	13,120,065	4.1

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic wine removals

(Wine gals)

	Oct. '81	Nov. '81	% change
Still wines (bulk)	238,592	111,706	(53.2)
Still wines (bottled)	36,162,558	31,434,519	(13.1)
Effervescent wines (bulk & bottled)	4,519,731	3,906,441	(13.6)
Total	40,920,881	35,452,666	(13.4)

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic spirits removals

(Wine gals)

	July '81	Aug. '81	% change
Whiskey	12,810,574	12,041,841	(6.0)
Brandy	1,239,173	1,094,227	(11.7)
Rum	1,698,631	1,957,352	15.2
Gin	3,281,320	3,047,178	(7.1)
Vodka	8,426,356	7,152,538	(15.1)
Cordials and liqueurs	2,530,209	2,316,801	(8.4)
Cocktails and mixed drinks	733,591	737,483	0.5
Total	30,719,854	28,347,420	(7.7)

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Blow-molded plastic bottle production

(thousands of units)

	Nov. '81	Dec. '81	% change
Plastic bottles (blow-molded)	1,201,025	1,159,831	(3.4)
Carbonated beverages*	175,372	213,284	2.2
*plans are being made to sub-divide this category into .5-, 1- and 2-L sizes			

Source: U.S. Department of Commerce
Bureau of the Census

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May 7, 1982

Liquid consumption trends in the United States

(Gallons per capita per year)

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981E
Soft Drinks	20.3	22.3	23.5	24.8	25.9	27.0	28.6	30.1	31.5	31.4	31.0	33.7	35.9	37.1	38.1	38.8	39.5
Coffee*	37.8	37.4	37.0	37.0	36.2	35.7	35.3	35.2	35.1	33.8	33.0	29.4	28.0	27.0	27.7	27.0	26.0
Beer	15.9	16.5	16.8	17.3	17.6	18.5	19.2	19.7	20.5	21.3	21.6	21.8	22.5	23.1	23.8	24.3	24.6
Milk	26.0	25.9	25.3	25.6	25.3	23.1	23.0	23.1	22.7	22.0	22.3	22.1	21.9	21.6	21.4	20.9	20.6
Juices	3.8	4.0	4.8	4.7	4.8	5.2	5.7	6.1	6.1	6.2	6.9	6.9	6.9	6.6	6.7	6.9	6.9
Tea	4.9	5.2	5.1	5.3	5.2	5.5	5.8	5.9	6.3	6.2	6.2	6.4	6.9	6.7	6.6	6.6	6.5
Powdered Drinks	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	4.8	5.5	5.9	6.1	6.0	6.0	6.0
Wine	1.0	1.0	1.0	1.1	1.2	1.3	1.5	1.6	1.7	1.7	1.7	1.7	1.8	2.1	2.2	2.3	2.4
Distilled Spirits	1.5	1.6	1.6	1.7	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Bottled Water	NA	NA	NA	NA	NA	NA	1.1	NA	NA	NA	1.2	1.2	1.3	1.4	1.5	1.6	1.9
Subtotal	111.2	113.9	115.1	117.5	118.2	118.1	122.1	123.6	125.8	124.6	130.7	130.7	133.1	133.7	136.0	136.4	136.4
Imputed Water Consumption†	71.3	68.6	67.4	65.0	64.3	64.4	60.4	58.9	57.6	57.9	51.8	51.8	49.4	48.8	46.5	46.1	46.1
Total	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5

*Coffee data is based on a three-year moving average to counterbalance inventory swings, thereby portraying consumption more realistically.

†Includes all others

R = Revised

NA = Not available

Source: USDA; DSI; USBA; American Bottled Water Association; Lehman Brothers Kuhn Loeb Research estimates

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Consumption

(Continued from page 1)

per capita consumption.

Maxwell points out that the Census Bureau has revised its population figures, and some beverage consumption figures (see accompanying tables) have been changed to reflect this. The revisions changed per capita numbers for the various drinks, but the basic trends remain the same.

Other rising trends last year were in beer, wine and bottled water consumption. Per capita intake of imported wines continued to increase faster than that of domestic vintages (10.9% versus 3.5%).

wine trends

Total wine consumption has been increasing steadily at around a tenth of a gallon per year for several years. Robert Brown, public relations at the Wine Institute said, "We think that trend will continue. Increased consumption of wine is a natural extension of a moderate lifestyle, which is being taken up by a growing number of upscale adults."

Almaden Vineyards is quick to note that Americans are drinking more wine per capita than distilled spirits; Maxwell's figures indicate that this changeover began in 1978. Almaden and other sources confirm that despite a relatively low consumption rate, the domestic wine industry is booming.

According to Almaden, statistics show that about 80% of the wine boom comes from the sale of "jug wines" — good everyday table wines in large containers.

A notable fact about wine consumption is that only about 4% of U.S. wine drinkers account for more than 50% of wine intake. Vintners are trying to tap that huge part of the population that doesn't yet drink wine consistently. Jug wines are part of that strategy; light wines are another.

Not surprisingly, chilled sparkling rather sweet wines have lately been selling extremely well, giving more credence to an often-used soft drink industry phrase: Americans prefer their drinks cold, sweet and carbonated.

Once again, in 1981 U.S. consumption of coffee declined — whether measured in gallons per capita (26), pounds per capita (9.5) or absolute volume, according to Maxwell. In 1960, Americans consumed 40.8 gallons of coffee per capita; 2.38 cups were consumed per person per day that year. The U.S. population has since risen by almost 50 million; per capita coffee use has declined to 26 gallons; 1.92 cups were consumed per person per day last year.

Nonetheless, Maxwell says, statistics show the possibility of leveling off in this drop. Much of this, he says, is due to the general aging of the population. (As people move into middle age, coffee

Estimated tea sales trends

(Million pounds)

	1978		1979		1980		1981*	
	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.
Iced Tea	106.18	68.5%	105.26	68.4%	106.16	68.1%	105.06	67.3%
Hot Tea	48.82	31.5	48.74	31.6	49.84	31.9	50.94	32.7
Total	155.00	100.0%	154.00	100.0%	156.00	100.0%	156.00	100.0%

Source: USDA; DSI; USBA; American Bottled Water Assn.; Lehman Brothers Kuhn Loeb Research estimates

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Estimated wine consumption

(Gallons per capita)

	1977	1978	Change	1979	Change	1980	Change	1981	Change
Domestic	1.510	1.726	14.3%	1.742	0.9%	1.806	3.7%	1.869	3.5%
Imported	0.313	0.421	34.5	0.408	(3.1)	0.449	10.0	0.488	10.9
Total	1.823	2.147	17.8%	2.150	0.1%	2.255	4.9%	2.367	5.0%

Source: USDA; DSI; USBA; American Bottled Water Assn.; Lehman Brothers Kuhn Loeb Research estimates

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consumption goes up substantially.)

Soluble (instant) coffee appears to be the main growth area in this segment, Maxwell says. Soluble coffee accounted for about 16.5% of industry volume in 1981, up by about a point and a half in share from 1980.

Leaders in this area are General Foods with Sanka and Brim, and Procter & Gamble with High Point. Both of these companies increased share substantially in 1981. Maxwell believes solubles will continue to be the most interesting coffee industry area for the foreseeable future.

He says the coffee industry

is working on a campaign to get more people to drink coffee from mugs, as they hold more than regular cups. If this market ploy works, Maxwell thinks it will add to the growth of the industry.

beer growth

Beer consumption per capita rose from 24.3 gallons in 1980 to 24.6 gallons last year, according to Maxwell. Marketing efforts by breweries continue to aim at men aged 18 to 49. Even though more women are drinking the light beers, brewers are so far unwilling to spend much money to appeal directly to women. The breweries reportedly

fear having any of their brands labeled "a woman's drink."

The same upscale, moderate lifestyle referred to by Robert Brown at the Wine Institute, is said to be a major factor behind increased consumption of imported beer brands. Many sources expect a substantial growth in sales of imported beer brands during this decade.

Bottled water consumption also rose 1980 to '81; from 1.6 to 1.9 gallons per capita. Bottled water intake has steadily increased since 1976, according to Maxwell's figures.

Juices, almost entirely represented by orange and

(Continued on page 40)

Polycarbonate water bottles result in fewer breakages

KISSIMMEE, FL — The Kissimmee Spring Water Co. is experiencing significantly fewer breakages thanks to the new five-gallon polycarbonate water bottles it now uses. The bottles, constructed of Merlon polycarbonate by Mobay Chemical Corporation, have a simplified design to resist damage.

The streamlined design of the bottle was cited by the central Florida water bottler as the key factor in its ability to withstand stringent service requirements. The bottles have two wide flat bands recessed into the wall, with three narrower bands flush with the exterior dimensions, for good horizontal strength. Most other polycarbonate bottles are designed with a series of ribs or boxes recessed into the wall. In addition, the bottle's long neck makes it easier for deliverymen to carry two containers at one time.

bottle design

"With fewer corners and ridges, the new containers seem to have fewer 'soft spots' where the thermoplastic is thinner, and thus, more vulnerable to cracking or puncture," commented Jerry Saunders, president of the bottling company. "The simple design of the bottles facilitates even distribution of the thermoplastic throughout the container during molding, allowing for uniformly thick walls that can better withstand the bumps and bruises of handling," he said.

The Merlon-made bottle also has fewer corners to catch on the crates and the metal bays used in transporting the containers, plant

manager James Sabetto added. Also, the textured, frost-like finish on the three rib sections of the bottle that touch the crates disguises any scratches that occur.

In a recent survey conducted by Kissimmee, the Merlon container averaged about one-sixth of the failures of another polycarbonate bottle. After ten months, only 33 of the 10,000 Merlon bottles in the company's float had failed.

Since the two bottles are competitively priced, the long-lasting durability of the Merlon bottles makes them much more cost-effective in the long run, according to Saunders. "The more trips the bottle takes, the lower is its cost per trip and the more money we save," Saunders noted. "Thus far, the Mobay bottles have been giving us the type of service we need."

"In the ten months we have been using them, the Merlon bottles have seemed able to survive the abuses of handling much better than our other plastic bottles," he said. "Many people don't understand that even though plastic bottles resist shattering, they can be damaged. Consequently, they seem to be more careless and handle the polycarbonate bottles more roughly than they would glass," the plant manager explained.

For Kissimmee, primarily a wholesale company, finding a bottle that will last is extremely important. "That's because a bottle with a small crack in it can often go undetected." "We usually don't find out that a bottle is bad until its on the filling line." "As a result, we end up paying the cost of the damaged

gallons, an increase of 5.7% over 1980.

The largest increase came in table wine; 277.7 million gallons were shipped, 8.8% over 1980. Sparkling wine shipments also gained, up 9.7% to 24 million gallons.

Other categories showed declines from 1980 levels: shipments of appetizer and dessert wines, at 22.7 million gallons, dropped 10.9%, and vermouth and other special natural (flavored) wines registered 33.5 million gallons, off 6.8%.

bottle," Saunders said.

Speed is also important in filling. Kissimmee uses part vacuum, part gravity feed in its filling operation. The containers can withstand about 5 sq. in. of vacuum without buckling. In the past, other polycarbonate have only been able to take up to 3-4 sq. in. of vacuum, which meant a slower filling rate. The Merlon bottle weighs about 1.75 lbs.

Another advantage of the plastic units, said Sabetto, is their ability to come out of "Tight situations" or accidents without the high incidence of breakage. "For example," he said, "we once lost 104 glass bottles when a tractor-trailer had to slam on its brakes. We wouldn't have had that kind of breakage if the truck were loaded with Polycarbonate bottles."

• For more information on Mobay, circle no. 528

ACSH: moderate alcohol may not harm fetus

WASHINGTON, DC — The Surgeon General's warning that pregnant women completely avoid alcohol consumption was recently challenged in a report from the American Council on Science and Health.

After reviewing scientific data, the council contends that abstinence is not necessary to protect the health of the fetus. It noted that animal and human studies had not shown "a substantial risk to the unborn child from consumption of less than one ounce of absolute alcohol (two average drinks) per day." It did add, however, that current evidence has not yet proven whether this amount is indeed safe.

Still, ACSH feels that "ex-

cessive health warnings may be counterproductive, leading pregnant women to equate real risks during pregnancy (for example cigarette smoking) with hypothetical risks (moderate use of alcohol)."

At best, the council supports efforts already underway to educate women about the potentially harmful effects of excessive drinking during pregnancy. "Based on the current evidence, women should take a conservative approach to alcohol use during pregnancy," it said.

dissent

ACSH's report included dissenting opinions from (Continued on page 40)

Exports of U.S. Produced Wine in 1980 and 1981

Country	1981	1980	Percent Change
Canada	5,547,507	4,612,792	+ 20.3
United Kingdom	1,107,314	530,963	+ 108.5
Colombia	402,241	51,708	+ 667.9
Belgium & Luxemburg	345,878	225,509	+ 53.4
W. Germany	337,308	178,516	+ 89.0
Bahamas	269,446	338,718	- 20.7
Japan	243,517	207,316	+ 17.5
N. Antilles	205,530	216,196	- 4.9
L.W. & W.W. Islands	193,396	142,718	+ 35.5
France	144,200	52,467	+ 174.8
Mexico	134,903	57,240	+ 135.7
Netherlands	123,606	82,077	+ 50.6
Switzerland	118,911	28,152	+ 322.4
Bermuda	114,317	150,510	- 24.0
Panama	104,354	97,821	+ 6.7
Ireland	90,750	65,717	+ 37.7
Venezuela	89,003	20,799	+ 327.6
Hong Kong	88,839	60,253	+ 27.0
Trinidad	76,548	113,080	- 32.3
Singapore	75,414	33,651	+ 124.1
Denmark	70,113	26,896	+ 160.7
South Africa	69,561	0	-
Sweden	69,284	8,874	+ 686.6
Philippines	62,846	59,796	+ 5.1
Peru	56,597	8,794	+ 543.6
Ecuador	49,670	55,473	- 10.5
Barbados	43,474	39,995	+ 8.7
Dominican Rep.	37,790	13,221	+ 185.7
Indonesia	35,050	23,730	+ 47.7
Nigeria	33,322	23,270	+ 45.8
Haiti	33,196	26,871	+ 23.5
Cayman Islands	32,276	39,076	- 17.4
Liberia	31,300	2,824	+ 1,029.6
Iceland	31,121	18,082	+ 66.0
Total	10,460,893	7,824,597	+ 33.3
Other Countries	253,854	244,417	+ 3.9
All Countries	10,723,547	7,999,314	+ 36.3

Does not include shipments to Puerto Rico and U.S. possessions, shipments abroad to U.S. Armed Forces, and shipments for use of vessels and airplanes engaged in foreign trade.

Source: Prepared by Wine Institute from records of Bureau of the Census, U.S. Department of Commerce.

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Exports

(Continued from page 1)

imports of American wine in 1980, jumped to third place in 1981 with a total of 402,000 gallons, a 66.8% increase. Belgium and Luxemburg imported 346,000 gallons, a 53.4% increase, while West Germany imported 337,000 gallons, for an increase of 89%.

Shipments of California wine to domestic and worldwide markets last year totaled a record 357.9 million

Alcohol use

(Continued from page 38)

three University of California scientists who support the government's warning since the threshold for adverse effects on the unborn is unknown and subject to individ-

ual variation.

In another report, ACSH has argued against Dr. Ben Feingold's theory that artificial flavors and colors can cause hyperactivity in children. The council admitted that "the available evidence does not completely elimi-

nate the possibility that a limited relationship might exist between certain food colors and hyperactivity." However, such a relationship "would affect only a very small number of hyperactive children," the council added.

After assessing scientific

evidence available, ACSH feels that artificial colors and flavors should not be eliminated from the diets of hyperactive children as a means of helping their condition. Furthermore, it does not advocate amending public policy on food, food processing

or food labeling based on the Feingold theory.

Instead, ACSH suggests that parents of hyperactive children seek psychiatric or psychological help for children, rather than relying on dietary changes.

Impact

(Continued from page 17)

three, sold 30.4 million gallons in 1981, dropping 5.3% from '80. Impact suggests that Almaden is feeling intense competition from Gallo, Taylor California Cellars, Inglenook and Paul Masson. Almaden's recent price increase, effective Jan. 1, 1981, "may have revealed that the brand is especially price sensitive," suggested Impact.

Shipments of number 10 Sebastiani, were down 14.4% from 1980 to '81, to 8.6 million gallons. Impact says, "the company is in the process of settling into its enormous growth of the last five years and (is) redefining its goals." Between 1975 and '81, Sebastiani had the strongest annual compound growth rate of all top 10 wineries, 23.8%.

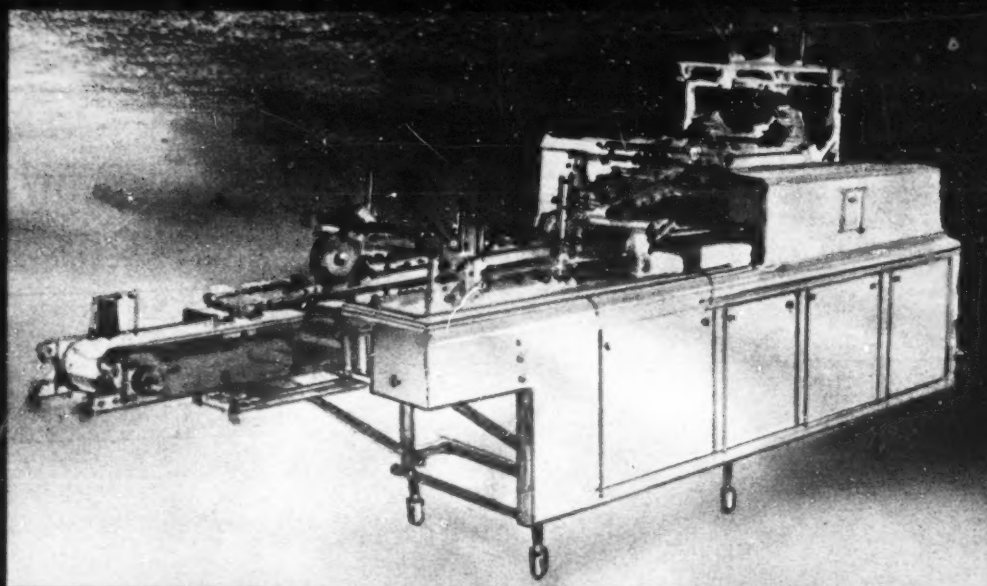
Impact believes that the continued growth of Gallo and The Wine Spectrum will make competition tougher for the other top 10 wineries. "The other eight might find themselves fighting more fiercely for a smaller slice of the pie."

Consumption

(Continued from page 36)

grapefruit juice, maintained a steady 6.9 gallons per capita consumption level last year. Juices took a strong jump in 1975 over '74, but dropped off slightly in '78 and '79. According to the Florida Department of Citrus, 899 million single strength gallons of orange and grapefruit juice were sold at retail outlets in 1981, down from the 905 million gallon level in 1980. However, total retail sales of orange and grapefruit juice rose 13%, '81 over '80, from \$2.4 to \$2.7 billion.

Other liquid consumption trends show distilled spirits and powdered drinks leveling off at 2.0 and 6.0 gallons per capita respectively in 1981. Tea and milk consumption continued to decline, at 6.5 and 20.6 gallons per capita respectively.



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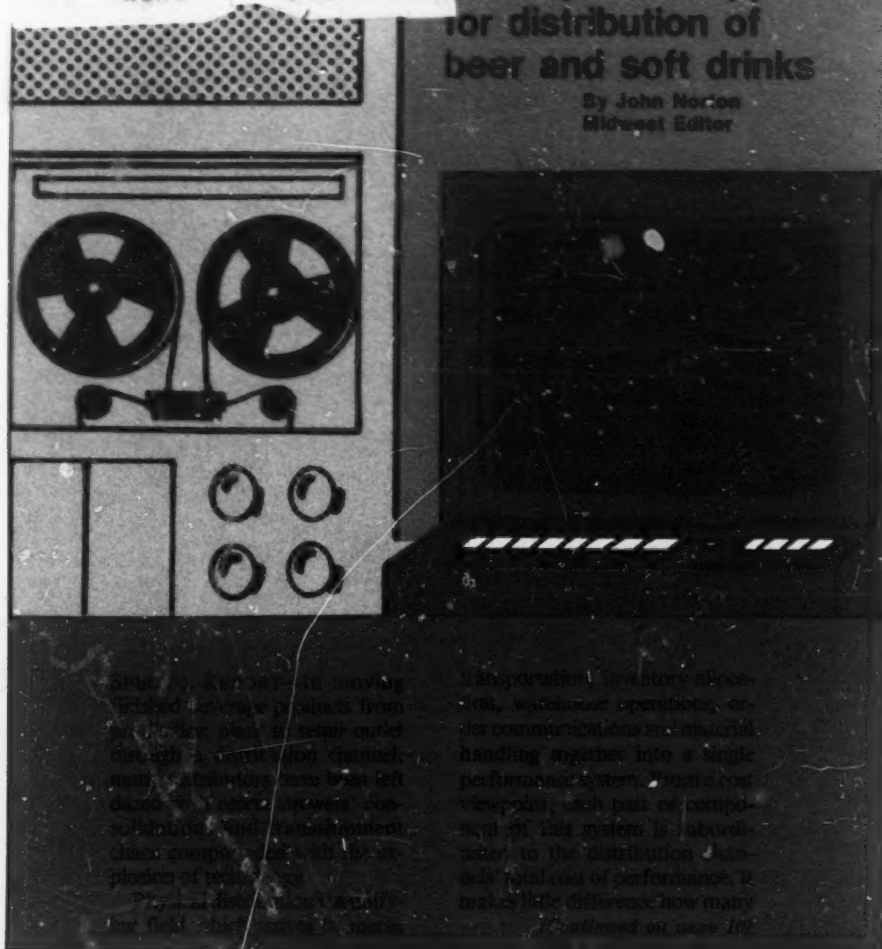
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Beverage Industry

LOGY

PUBLISHED EVERY OTHER FRIDAY

New systems appear for distribution of beer and soft drinks

By John Norton
Midwest Editor

Some of the new moving picture systems from the new plant in the midwest, which will be used for the distribution of beer and soft drinks, are shown in the photo above. The new plant is located in the midwest and will be used for the distribution of beer and soft drinks.

Integration of the new plant, which will be used for the distribution of beer and soft drinks, is shown in the photo above. The new plant is located in the midwest and will be used for the distribution of beer and soft drinks.

(Continued on page 10)

FDA spells out new food additives policy

By Patricia Raber

Washington Correspondent

WASHINGTON, DC—To eliminate the acrylonitrile and polyvinyl chloride controversies of the past, the Food and Drug Administration has proposed several policies for determining when to approve food or color additives which are safe, but whose components may be carcinogenic.

In an advance notice of proposed rulemaking, FDA has finally spelled out its long-awaited constituents policy which would determine when the Delaney anti-cancer clause is

triggered by distinguishing whole food additives from their parts.

Under this policy, a food additive would be considered a substance actually intended for food use or contact. "All non-functional chemicals present in that substance would be called 'constituents' of the additive."

Normally, any food or color additive found to cause cancer in animals or man must be banned under the Delaney clause. But this approach provides more leeway by allowing a noncarcinogenic food additive to be ap-

(Continued on page 9)

Imported beers taking bigger US mkt. share

NEW YORK, NY — Sales of imported beer brands in the U.S. continues to rise significantly. Between 1980 and '81, imported beer brands rose 14.3%, according to BI's director of research/statistics, John C. Maxwell.

Heineken, which sells twice as much as its next competitor, Molson, had the largest gallon increase in the industry last year, 9.4 million gallons, or 17.6% more in 1981 than the year before. Heineken accounts for almost 40% of imported beer volume.

Beck's, Labatt and Moosehead showed the best percentage gains of the major brands. Beck's had a 37% growth from 1980-81. It sold

10 million gallons last year, compared with 7 million in 1980 and 5.5 million in '79. Beck's now holds 6.2% of the total imported beer market, according to Maxwell.

Labatt sales were 30.4% better last year than the year before; Labatt sold about 2 million more gallons in '81 than in '80; this Canadian brand has 5.6% of the market.

Moosehead's sales growth since 1979 has been spectacular. In '79, the brand sold 2 million gallons; last year it sold almost 8 million, nearly a quadrupling of sales in only three years. Now,

(Continued on page 4)

BI promotes Dolan to publisher

NEW YORK — William R. Dolan has been named publisher of *Beverage Industry*. Dolan has been associated with BI for five years, most recently as associate publisher. He replaces Jesse Meyers who is leaving the magazine to start his company which will publish *Beverage Digest*, a twice monthly newsletter. In addition to Dolan's promotion, Thomas H. Bachmann, advertising manager, has been elevated to associate publisher. Bachmann, who will be headquartered in Chicago, has been with *Beverage Industry* for six years.

"After some 20 years in the beverage business," commented Meyers, "I have decided that the time is right to launch my own publication."

(Continued on page 21)

BI Week

• Pepsi reportedly has put its new ad theme "Pepsi's got your taste for life" on indefinite hold. Suppliers have been told that the theme is not to be used on any package graphics. The hiatus, reportedly, is the result of requests from bottlers.

• Coca-Cola's soft drink retail sales in the U.S. were up 4% in the first quarter of '82. Syrup shipments, though, were off 33% due to stockpiling in December '81 before price increases in January. Total worldwide shipments of soft drinks rose 5% in the quarter. Foreign soft drink shipments were up about 10%.

• Pabst's board of directors got 3.75 million votes, to 3.2 million for the alternative slate led by Irwin Jacobs. But, Jacobs will take Pabst to court challenging the

validity of 1 million of the votes; court action could last two months, while Pabst carries on as though the vote was final. Jacobs reportedly says a Midwestern investment firm pressured shareholders to vote company line.

• Shasta products have new package graphics and ad campaign. Containers feature logo at an angle over stylized "S" design. Campaign carries "I wanna pop" theme, developed by Needham, Harper & Steers. Principle media is network TV. Shasta says "pop" theme doesn't mean just soda pop; it also refers to the thrill and excitement Shasta drinkers want from variety of flavors: 31.

• Christian Schmidt Brewing (Continued on page 21)



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	1979	% Market	1980	% Market	1981	% Market	1980-81 Change
Heineken	59.1	42.9%	53.5	37.8%	62.9	38.9%	17.6%
Molson	29.3	21.3	31.7	22.4	32.0	19.8	0.9
Becks	5.6	4.1	7.3	5.2	10.0	6.2	37.0
Labatt	6.6	4.8	6.9	4.9	9.0	5.6	30.4
Moosehead	2.0	1.5	5.6	4.0	7.9	4.9	41.1
Dos Equis	7.0	5.1	7.0	4.9	7.0	4.3	-
Carling O'Keefe	-	-	-	-	4.5	2.8	-
Guinness Harp	1.6	1.1	1.7	1.2	3.9	2.4	129.4
Tecate	-	-	-	-	3.8	2.3	-
St. Pauli Girl	2.0	1.5	2.4	1.7	3.0	1.9	25.0
Carta Blanca	1.8	1.3	2.1	1.5	2.3	1.4	9.5
Grolsch	1.4	1.0	1.6	1.1	1.8	1.1	12.5
Foster	1.4	1.0	1.6	1.1	1.7	1.1	6.3
Kirin	-	-	-	-	1.4	0.9	-
Kronenbourg	-	-	0.7	0.5	1.2	0.7	71.4
San Miguel	-	-	-	-	1.1	0.7	-
Bass Ale	1.5	1.1	1.6	1.1	1.0	0.6	(37.5)
Tsingtao	0.2	0.1	0.4	0.3	0.8	0.5	100.0
Amstel Light	-	-	0.5	0.3	0.7	0.4	40.0
Bohemian	-	-	-	-	0.7	0.4	-
Kalback	-	-	-	-	0.1	0.1	-
Others	18.2	13.2	17.0	12.0	5.0	3.0	(58.3)
Total	137.7	100.0%	141.6	100.0%	161.8	100.0%	14.3%

Source: Lehman Bros. Kutztown Research

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May 21, 1982

Beer industry up 3.7% from '70-'80: Doyle

NEW YORK—Even though general business conditions are weak, the brewing and soft drink industries are relatively strong, according to Joseph J. Doyle, CFA at Smith Barney Harris Upham & Co. located here. Of course, he says, the recession has some impact on these industries; near-term sales trends are on the weak side.

Unit volumes are flat to up and, Doyle says, should be up for the second half of 1982 as overall economic conditions improve. He says that both the brewing and soft drink industries are being helped by the fact that their major costs are quite weak. This, he says, is aiding profit margins at a time when product prices are decelerating.

Recent statistics indicate that beer consumption is flat to slightly up, Doyle says. A cold winter, especially last January, and the impact of recession, unemployment and weak consumer incomes are hurting current volume.

However, unit beer volume has

shown itself to be virtually recession-proof; Doyle expects that to continue.

Doyle expects a 2.0% rise in domestic volume of beer and a 2.3% increase in total consumption in 1982. He sees no basic factors, plus or minus, to alter this trend growth in the foreseeable future. (Total beer industry volume was up 3.7% from 1970 to '80, including imports.)

Over the past 20 years, the beer industry has been concentrated in the hands of a few, Doyle says, referring to Anheuser-Busch, Miller and Heileman.

best gain: A-B

A-B showed the best gain last year in barrels sold (up 8.6%). Doyle expects A-B to show a similar gain in 1982, of between 8% and 8.5%. By 1985, A-B is expected to sell around 72 million barrels. This will mean a healthy 7.4% annual unit growth over the disinflationary period of 1980-'85.

Also, Doyle thinks that Miller

and Heileman will experience better-than-average industry growth of 6% to 7% annually to 1985. The Heileman projection assumes that the company "somehow" gets reasonably priced capacity in the Sun Belt.

Other brewers' performances will, according to Doyle, be poor. Pabst, he says, should show absolute volume declines; Schlitz may arrest its decline of the past five years, and Coors may show some modest growth as it gradually moves into new markets East of its present territories.

By 1985, Doyle projects that A-B will have increased its market share to 34%. Also, by 1985, Miller will have a 25% share, Heileman will be at 9%, Schlitz and Coors at 7% and Pabst at 6%, Doyle believes.

By category or type of beer, Doyle says, the American consumer has been trading up over the past several years, despite disappointing consumer income trends. Popular-price beers have declined sharply since 1975.

This does not reflect a conscious decision to buy more expensive beer, Doyle says. Rather "life-style" factors seem to make the difference. For example,

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Import beer

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Maxwell says, Moosehead sales account for about 5% of the total imported beer market. Sales rose 41% 1981 over 1980.

Guinness Harp and Tsingtao are among the fastest growing of the smaller brands, says Maxwell. Guinness Harp sold over 4 million gallons last year, but that represents a 129.4% increase over the year before; the brand sold 1.7 million gallons in 1980.

Tsingtao, from China, approached the 1 million gallon sales mark last year, a 100% increase over 1980. This brand had 0.1% of the market three years ago; it has boosted that share to 0.5%.

Kronenbourg, from France, managed a 71.4% sales increase, 1981 vs 1980; the brand, backed up by heavy advertising in its markets, sold 1.2 million gallons last year.

St. Pauli Girl's success has been attributed to its popularity on college campuses. The brand sold 25% more last year than the year before, or 3 million gallons in 1981, 2.4 million in '80.

Bass Ale, from England, was the only individually-listed brand down: 37.5%; it sold 1 million gallons last year, according to Maxwell.

In 1981, imported beer brands accounted for about 3% of the total beer industry. Maxwell expects this share to increase in 1982.

Poland Spring puts sparkling water in cans



GREENWICH, CT—Poland Spring Corporation, located here, has put its sparkling water in 12 oz. aluminum cans.

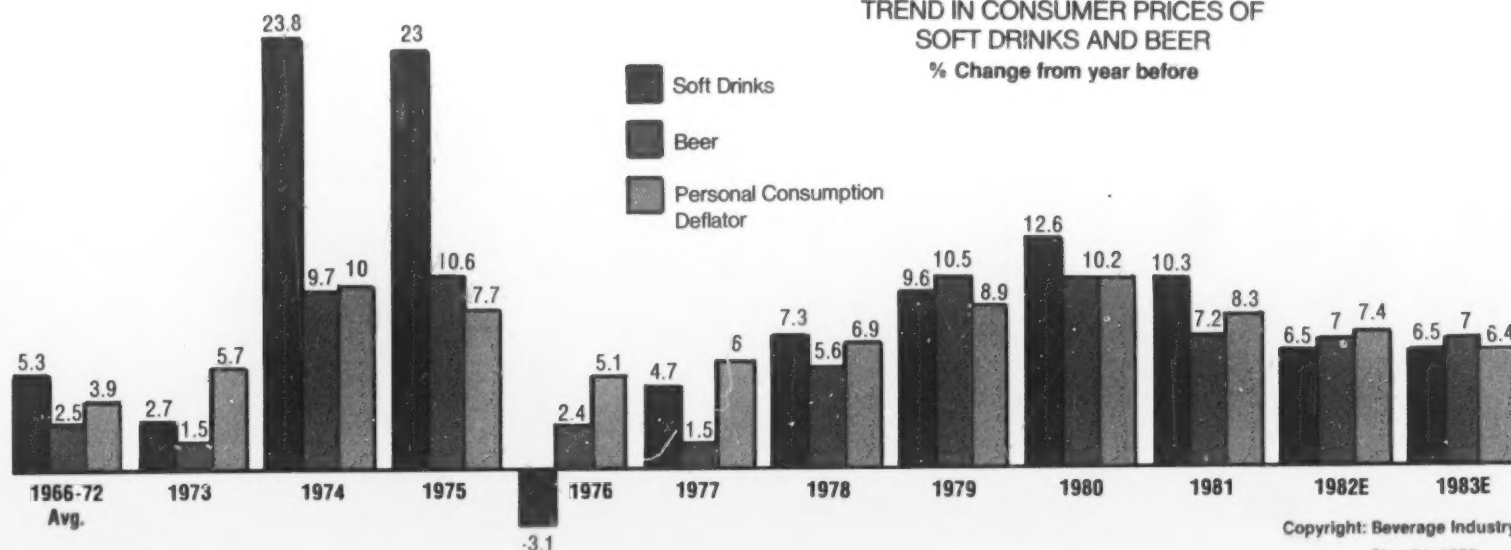
"Until now, there have been no sparkling waters available in 12 oz. cans," said Dennis J. Crumbine, general manager of Poland Spring. "Consumers in Los Angeles have demonstrated a preference for 12 oz. cans, which comprise 60% of total carbonated beverage sales here. In the sparkling water category, they can now also exercise that preference."

"Sparkling water users are in the most active and affluent market segments," said Crumbine. "They are regular buyers of

sparkling water and we believe they would like the convenience of a 12 oz. aluminum can at the beach, around the pool, and for sporting events, boating, backpacking, bicycling and camping."

"Aluminum cans now account for more than 85% of all canned beer and soft drinks," according to Robert O'Donnell, corporate vp and gen. mgr., Reynolds Can Division, manufacturers of the Poland Spring Water can. "Last year, aluminum cans were successfully introduced by several wineries as a new package for wine. We believe that the aluminum can's strong consumer appeal will make canned sparkling water a success as well."

TREND IN CONSUMER PRICES OF SOFT DRINKS AND BEER % Change from year before



E - estimated by SBHU.

Source: Bureau of Labor Statistics.

Copyright: Beverage Industry,
May 21, 1982

Doyle

(Continued from page 4)

weight control helps the light category and self-esteem boosts imported beer consumption.

Light beers, now about 15% of total industry volume, continue to show above-average growth. The category rose 18% last year, and Doyle believes that growth may accelerate this year and next since the national rollout of Budweiser Light could expand the category on a net basis.

Imports

Imports had above-average growth in 1981, up 15%, after a sluggish 1980, but they remain a relatively small portion of total consumption. Because of high price, imports may remain a relatively small, but growing, category. Canadian beers, which are about one-third of all imports and second only to the Netherlands, have been doing very well in recent years. Being a lower-priced beer compared with other imports and a taste between "heavy" imports and "light" domestic beers seem to be a key factor in the success of Canadian beers, according to Doyle.

The super-premium category, where Michelob has about a 75% or better share, has shown high sales growth throughout 1979. In 1980 and 1981, the category grew only about 4-5%. Doyle thinks the key explanations are the expected and accepted cannibalization from Michelob Light and perhaps some trade down to the premium category. Most brewers have been unable to hurt Michelob with new super-premium products. Pabst has never been financially able to give adequate marketing support to its Andeker brand, nor Schlitz to Erlanger. This year's introduction of

Miller's Special Reserve could hold back Michelob's growth (as Lowenbrau never really did), but Doyle feels it will probably tend to expand the category.

The premium category is the most important at 57% of last year's industry volume. Budweiser has about a 36%-37% share of this category, and the brand has been unusually strong over the past few years, up 11%-12% in each of the past three years. Miller High Life has about a 21% share of premium category.

Miller Brewing's real strength is in its Lite brand, which controls over 60% of the light category. The Coors brand has about an 11% share of the premium category, and Pabst about 9%. The Schlitz, Stroh's and Heileman's Old Style brands each have about 5% of the premium category.

As one might expect, Doyle says, economic, demographic, life-style, and weather factors have favored beer consumption in southern and western regions. Over the past five years the South Central region has shown a growth rate that is 91% faster than of the national average; 68% of this region's volume is Texas.

The Southeastern region has been growing 50% faster than the national average; Florida is 42% of this region's volume and Georgia is 17%. The Mountain region has also grown 50% faster; Colorado and Arizona are each 26% of this region's volume. The Pacific region has been growing 32% faster; California is 79% of this region's volume. Light beers, premium, and super-premium brands do well in these regions. Popular-priced beers are proportionately stronger in the Northeast and North Central regions.

Both Anheuser-Busch and Miller have understood and been able to capitalize on these differ-

ing regional growth trends. Heileman has yet to establish a real "southern tier" strategy and the Justice Department's refusal to permit it to merge with Schlitz was a major setback for Heileman's regional goals.

Simply being in the right regions has not helped, Doyle says. Coors has not done well and has lost share, mostly to Anheuser, in the Mountain and Pacific regions. Schlitz used to be number one in the West South Central region and a big factor in the Southeast, but it has lost share in those areas to both Anheuser and Miller. Doyle expects the Southern and Western regions to remain stronger growers and companies like Heileman and Stroh's are seeking entry.

As with beer consumption, soft drink volume is only slightly affected by recession, according to Doyle. He thinks the recession may further dampen 1982's U.S. soft drink volume, and he projects only a 2.0% gain, or about half of normal growth. During the next four to five years, volume growth for soft drinks should be between 4% and 5%, with the front end of the range being "normal trend" and 5% reflecting recovery from a depressed 1981-'82 level.

A rejuvenated Coca-Cola, both in terms of strong senior management and a better franchised bottling system, should result in a somewhat improved U.S. performance for Coke in the next five years, according to Doyle. He projects about 5% unit growth, which, while the same as the past five years, could be one point more or at least even with an expected 4%-5% industry growth.

Doyle thinks Pepsi can continue to grow faster than the industry, though at a slower rate than historically. Senior manage-

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Industry and top six brewers' barrelage

(millions of 31-gallon barrels)

Volume	1980	1981	1982E	1985E
Industry volume	177.9	182.8	187.0	211.0
Anheuser-Busch	50.2	54.5	59.0	71.7
Miller	37.3	40.3	43.1	52.0
Heileman	13.3	14.0	14.8	18.5
Schlitz	15.0	14.3	14.0	15.0
Pabst	15.1	13.5	13.0	12.0
Coors	13.8	13.3	13.7	15.0
Total Top Six	144.7	149.9	157.6	184.2
Total All Others	33.2	32.9	29.4	26.8
%Market Share of Top Six	81.3%	82.0%	84.3%	87.3%
%Share of A-B and Miller	49.2%	51.9%	54.7%	58.6%

Growth

(Annual rate from prior period)

Industry growth	—	2.8%	2.3%	3.5%(a)
Anheuser-Busch	—	8.6	8.3	7.4 (a)
Miller	—	8.0	7.2	6.9 (a)
Heileman	—	5.3	5.7	6.8 (a)
Schlitz	—	(4.7)	(2.1)	0.0 (a)
Pabst	—	(10.6)	(4.4)	(4.7) (a)
Coors	—	(3.6)	3.0	1.7 (a)
Total Top Six	—	3.6	5.1	4.9 (a)
All Others	—	(0.9)	(10.6)	(4.4) (a)

E-Estimated by SBHU.

(a) 1980-1985 period for industry and individual companies' growth rates.

Note: Our industry total includes imports, which now represent about 2.9% of total U.S. consumption, or 5.3 million barrels in 1981 (versus 4.6 million in 1980). Market share and growth figures for Top Six and Top Two are based on today's rankings. About 70% of Heileman's 1979 growth (and perhaps half of historical growth) is due to acquisitions (Carling National added 2.4 million barrels to 1979 total and 0.6 million to 1980 total). Blitz-Weinhard purchase added 0.4 million barrels to Pabst 1979 total and 0.1 million to 1980 total; Pittsburgh Brewing purchase may add 0.8 million to this year. Stroh's Schaefer combined in 1980 to be Number Seven at 9.73 million barrels (6.16 + 3.57), up 1.9% from 9.55 (6.01 + 3.54) in 1979; 1981 volume was 9.13.

Source: SBHU.

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